

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0644-01
Bill No.: SB 187
Subject: Education, Elementary and Secondary; Education, Higher; Elementary and Secondary Education Dept; Teachers
Type: Original
Date: February 21, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$1,042,306)	(\$1,104,217)	(\$1,162,821)
Total Estimated General Revenue Fund*	(\$1,042,306)	(\$1,104,217)	(\$1,162,821)

*Subject to appropriation; language indicates "shall"

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Public Charter School Board Fund	\$0	\$0	\$0
Charter School Sponsor Oversight & Accountability Fund	\$0	\$0	\$0
Colleges and Universities	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School Districts*	\$0	\$0	\$0

***Does not reflect increase in unfunded actuarial accrued liability of \$85,000,000 to the Public School Retirement System Fund or an increase in the unfunded actuarial accrued liability of \$10,000,000 to the Non-Teacher School Employee Retirement System Fund. These are not considered local funds for fiscal note purposes.**

FISCAL ANALYSIS

ASSUMPTION

The following agencies/offices/commissions would not be impacted fiscally by this bill:

Department of Higher Education, Office of Administration-General Services, Office of State Courts Administrator, University of Missouri System, Office of the Governor, House of Representatives, Missouri Senate.

Officials from the **Office of State Treasurer (STO)**, stated there would be no impact to STO provided the transfers into the two new funds are originated by the Department of Elementary and Secondary Education and/or the Office of Administration.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Office of Administration, the Public Charter School Board, or any Missouri public teacher retirement system could require as many as 50 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated

cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the ASSUMPTION (continued)

SOS's estimated cost of \$3,075 for FY 2004. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Section 160.400

Officials from the **Department of Public Safety - Missouri State Highway Patrol** stated that, according to MSHP Criminal Records and Identification Division, there are a minimal amount of board members throughout the state and the effect on total state revenue would not be significant.

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following assumptions regarding this proposal:

Since charter schools are not required to use DESE's services to perform background checks, there would be no fiscal impact to DESE, but there would be costs to the charter school.

DESE will require one supervisor to handle charters if the State Board of Education suspends a sponsorship and to track the deadlines as outlined in the proposal.

DESE assumes the major state cost resulting from the proposal would arise with the establishment of the "Charter School Sponsor Oversight and Accountability Fund". This fund is subject to appropriation and would be administered by the Office of Administration. Based on estimated enrollment for 2002-03, the program costs for FY 04, 05, and 06 respectively would total \$878,241, \$929,286, and \$986,540. The projections are based on no additional growth in the already existing charter schools and no change in the state aid to either district. The enrollment estimates could fluctuate by several hundred students.

Officials from the **Office of Administration** assumed an increase in workload for OA to administer this fund. One half an FTE would be required to write the rules, communicate with the charter schools, or their sponsors; review grants, calculate requirements of this legislation; and possibly pro-rate the amount available for grants. For fiscal note purposes, **Oversight** assumes additional furniture and equipment will not be required if duties of this position are

combined with other duties to total one full time position.

ASSUMPTION (continued)

Officials from **Central Missouri State University** estimated they would be eligible for \$314,000 in FY 04; \$330,000 in FY 05; and, \$346,500 in FY 06. This assumption is based on an enrollment figure of 2,460.

Officials from **Harris-Stowe State College** estimated \$40,000 in expenses annually for training and consulting fees associated with charter schools.

Section 160.403

DESE assumes the dedicated charter school board would create the potential for a significant increase in charter school activity, requiring one supervisor to carry out the requirements of the proposal.

Oversight assumes one supervisor could track deadlines as outlined in the proposal (section 160.400) and carry out any other requirements of the proposed legislation. **Oversight** has also, for fiscal note purposes only, adjusted the salary and benefits of the supervisor to correspond with the range for starting salaries paid by DESE in 2002 for comparable positions and has excluded travel costs of \$4,500 annually, assuming the program could be administered with minimal travel.

The proposal also establishes the "Public Charter School Board Fund" which shall receive an annual transfer of \$99,000 from general revenue and shall have a unique appropriation for its operation.

Section 160.415

Officials from the **Administrative Hearing Commission** anticipate that this proposal will not significantly alter its caseload; however, if other similar bills also pass, there would be fiscal impact. If there are more cases, or more complex cases, there could be a fiscal impact.

SECTION 169.596

Officials from the **Public School Retirement System of Missouri** and the **Non-Teacher Employee Retirement System** stated that this section of the proposed legislation allows retired teachers from any Missouri retirement system, who are in a teacher shortage area, to return to work full time for two years without losing their retirement benefits. The proposal also allows

any non-certificated employees who are also in shortage areas to return to work for two years with no penalties on their benefits.

ASSUMPTION (continued)

An actuarial cost estimate was completed by Norm Losk of Gabriel, Roeder, Smith & Company which estimated that if 1000 Public School Retirement System members were to return to work and continue receiving benefits that the Actuarial Accrued Liability (AAL) would increase \$85 million and cause the contribution rate to increase from 22.22% to 22.35%.

It was also estimated if 2500 Non-Teacher School Employee members returned to work after retirement with no loss of benefits, the AAL would increase \$11 million and cause the contribution rate would increase from 10.80% to 10.94%.

Officials from the **Missouri Joint Committee on Public Employee Retirement** provided the same information as the Public School Retirement System of Missouri (PSRS) and the Non-Teacher Employee Retirement System (NTRS), but added that the total annual effect to local government funds (school districts) could be in excess of \$2.7 million. However, according to the actuary for PSRS and NTRS, if the employer contribution is made, the cost is negated. If “all necessary costs” is interpreted to include the employer contribution rate, there is no fiscal impact to this portion of the proposal.

Officials from the **Public School Retirement System of Saint Louis** indicated this proposal would not have fiscal impact on their retirement system. **Oversight** notes that provisions under Section 105.269 RSMo provide retired teachers from the St Louis Public School Retirement System to be employed up to 4 years without losing retirement benefits.

Officials from the **Kansas City Public School Retirement System (KCPSRS)** did not respond to a fiscal note request; however, in response to a similar proposal from last session, KCPSRS assumed should be no fiscal impact to the retirement system since costs are paid by the hiring district and there must be rules insuring that provisions are cost neutral.

<u>FISCAL IMPACT - State</u> <u>Government</u> GENERAL REVENUE FUND	FY 2004 (10 Mo.)	FY 2005	FY 2006
<u>Cost</u> - Department of Elementary and Secondary Education (DESE) - (Sections 160.400 & 160.403)			
Personal Services (One FTE)	(\$28,987)	(\$35,654)	(\$36,545)
Benefits	(\$11,731)	(\$14,429)	(\$14,790)
Equipment and Expense	<u>(\$4,530)</u>	<u>(\$927)</u>	<u>(\$954)</u>
Total <u>Cost</u> - DESE	(\$45,248)	(\$51,010)	(\$52,289)
<u>Cost</u> - Office of Administration (Section 160.400)			
Personal Services (One-Half FTE)	(\$13,663)	(\$16,806)	(\$17,226)
Benefits	(\$5,529)	(\$6,801)	(\$6,971)
Equipment and Expense	<u>(\$625)</u>	<u>(\$774)</u>	<u>(\$795)</u>
Total <u>Cost</u> - Office of Administration	(\$19,817)	(\$24,381)	(\$24,992)
<u>Transfer Out</u> - Transfer to Public Charter School Board Fund (Section 160.403)	(\$99,000)	(\$99,000)	(\$99,000)
<u>Transfer Out</u> - Transfer to Charter School Sponsor Oversight and Accountability Fund (Section (Section 160.400)	(\$878,241)	(\$929,286)	(\$986,540)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	(\$1,042,416)	(\$1,104,217)	(\$1,162,821)

***Subject to Appropriation; language indicates “shall”**

PUBLIC SCHOOL CHARTER FUND	FY 2004 (10 Mo)	FY 2005	FY 2006
<u>Transfer In</u> - General Revenue (Section 160.403)*	\$99,000	\$99,000	\$99,000
<u>Costs</u> - Charter School Board Operations	(\$99,000)	(\$99,000)	(\$99,000)
ESTIMATED NET EFFECT ON CHARTER SCHOOL BOARD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

***Subject to Appropriation; language indicates “shall”**

**CHARTER SCHOOL
SPONSOR OVERSIGHT AND
ACCOUNTABILITY FUND**

<u>Transfer In</u> - General Revenue (Section 160.400)*	\$878,241	\$929,286	\$986,540
<u>Transfer Out</u> - Charter School Sponsors Grants for reimbursements of Costs of Charter School Sponsors	<u>(\$878,241)</u>	<u>(\$929,286)</u>	<u>(\$986,540)</u>
ESTIMATED NET EFFECT ON CHARTER SCHOOL SPONSOR OVERSIGHT AND ACCOUNTABILITY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

***Subject to Appropriation; language indicates “shall”**

COLLEGES AND UNIVERSITIES	FY 2004 (10 Mo)	FY 2005	FY 2006
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Income - Grants from Charter
 School Sponsor Oversight and
 Accountability Fund (Section
 160.400)*

Unknown- Expected to Exceed \$100,000	Unknown- Expected to Exceed \$100,000	Unknown- Expected to Exceed \$100,000
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Costs - Expense of Sponsoring
 Charter Schools

(Unknown- Expected to Exceed <u>\$100,000</u>)	(Unknown- Expected to Exceed <u>\$100,000</u>)	(Unknown- Expected to Exceed <u>\$100,000</u>)
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**ESTIMATED NET EFFECT ON
 COLLEGES AND
 UNIVERSITIES**

\$0

\$0

\$0

***Subject to Appropriation; language indicates “shall”**

FISCAL IMPACT - Local
 Government
SCHOOL DISTRICTS

**FY 2004
(10 Mo.)**

FY 2005

FY 2006

Income - Grants from Charter
 School Sponsor Oversight and
 Accountability Fund (Section
 160.400)*

Unknown- Expected to Exceed \$100,000	Unknown- Expected to Exceed \$100,000	Unknown- Expected to Exceed \$100,000
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Costs - Expenses of Sponsoring

Charter Schools	(Unknown- Expected to Exceed <u>\$100,000</u>)	(Unknown- Expected to Exceed <u>\$100,000</u>)	(Unknown- Expected to Exceed <u>\$100,000</u>)
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ESTIMATED NET EFFECT

ON SCHOOL DISTRICTS**

\$0

\$0

\$0

*** Subject to Appropriation; language indicates “shall”**

****Does not reflect increase in unfunded actuarial accrued liability of \$85,000,000 to the Public School Retirement System Fund or an increase in the unfunded actuarial accrued liability of \$10,000,000 to the Non-Teacher School Employee Retirement System Fund. These are not considered local funds for fiscal note purposes.**

FISCAL IMPACT - Small Business

Charter schools could expect a fiscal impact as a result of this proposal.

DESCRIPTION

This proposal creates numerous revisions to laws concerning charter schools.

SECTION 160.400

Charter schools may be operated in the currently authorized territories, even if the existing school district no longer exists or includes that territory. The proposal clarifies that charter schools may be sponsored by a public 4- year college or university in a county containing an eligible school district, even if the college or university is not in the school district. The proposal alters the provision concerning school buildings owned or controlled by a school district in which charter schools may be established.

The proposal creates a Charter School Sponsor Oversight and Accountability Fund, with grant funding administered by the Office of Administration. Funds shall be transferred annually by the State Treasurer, based upon the number of charter schools and charter school enrollment the previous year. Approved sponsors shall receive \$23,400 per school sponsored the previous year plus 0.5% of per pupil operating revenues for each student enrolled in such school the previous year. Any sponsor may apply and must demonstrate compliance of all requirements of law. Grant funds shall be prorated if necessary when funds are inadequate. Unused funds shall be retained and used to reduce the next year's withholding from charter school revenues.

Prior to granting or renewing a charter, sponsors must complete criminal background checks on the members of the Board of Directors of any nonprofit corporation applying to establish a

charter school. No member of a charter school board may be employed by the charter school nor have a significant interest in any entity employed by or contracting with the Board.

SECTION 160.403

This section establishes the Public Charter School Board, which shall be responsible for reviewing charter applications and granting or not granting charters. The Public Charter School Board shall notify applicants of a decision, in writing, within sixty days of submissions of applications. The public charter school board shall develop policies and procedures to measure and report the performance of schools and students for whom the board grants charters. The policies and procedures shall be designed to be compatible with the educational concept of the charter and philosophy of charter schools. Student progress shall be measured using data from a variety of vehicles.

DESCRIPTION (continued)

The proposal also creates the Public Charter School Board Fund, which shall be used exclusively for the operation of the public charter school board. Subject to appropriation, the state treasurer shall, on the first business day of each fiscal year, transfer, from general revenue to the public charter school board fund, \$99,000 on an annual basis.

The proposal mandates that the Department of Elementary and Secondary Education (DESE) shall provide all administrative support required by the public charter school board while utilizing the same resources and personnel that it currently provides to the State Board of Education without assigning additional costs to the public charter school board. DESE shall not have budgetary authority over the development of budgetary requests or the expenditures of funds.

SECTION 160.405

This section revises the procedure and time line for chartering a school. A charter school proponent shall provide the local school district and the State Board of Education with copies of the charter school application within five days of submitting the application to the proposed sponsor. The sponsor's decision of approval or denial must be made within 90 days of filing the proposed charter (rather than the current 60); if the charter is denied, written notice must be served on the State Board of Education within five days. The State Board has 60 days to deny or grant a proposed charter and shall provide reasons for denial in writing, if applicable.

Charter schools are required to publish audits and financial reports. Charter schools may publish audit reports and annual financial reports via the internet on the Secretary of State's website in lieu of other publishing requirements. A charter may be revoked for failure to provide necessary

compliance information, or the sponsor may require specified remedial action of the school.

Charter school board members, officers and employees who willfully violate charter school laws or neglect to perform any duty in the charter school laws are guilty of a misdemeanor as other public school employees are under current law. A charter school board may participate in the Missouri Public Entity Risk Management Fund to the same extent as a school board. The act allows a charter school to be located on the property of a school district without the agreement of the governing board of that district.

SECTION 160.410

Charter schools must make available the charter, the results of background checks, and the public report card to the parent of guardian of any pupil eligible to seek to enroll at the school. Reasonable fees may be charged for such copies.

DESCRIPTION (continued)

SECTION 160.415

This section alters the payment mechanism for state (and federal) aid to charter schools by mandating that DESE pay the charter schools directly. Currently, DESE pays school districts and the school districts forward the appropriate allotment to the charter schools inside their district. If DESE overpays or underpays the amount due the charter school, such over or under payment shall be repaid by the public charter school or credited to the public charter school in twelve equal payments in the next fiscal year. Any dispute between DESE, the school district, and a charter school regarding funding shall be resolved by the administrative hearing commission, with the option of judicial review. If a dispute should occur, DESE is mandated to make every administrative and statutory effort to allow the continued education of children in their current public charter school educational setting and not take action which prevents (either directly or indirectly) the continued operation of a charter school. Further, DESE is forbidden to make an arbitrary and capricious decision which negatively impacts the education of a child.

SECTION 160.420

This section allows district teachers employed in charter schools to retain tenure status and seniority rights for three years. Charter schools are permitted to hire noncertificated administrators.

SECTION 167.349

This section allows any campus of the state university located in a county of the third classification (University of Missouri - Rolla) to sponsor charter schools.

SECTION 169.596

This section permits any school district with a shortage of certified teachers to allow retired certificated teachers from any Missouri public teacher retirement system to teach full-time for up to two years without losing his or her retirement benefits, so long as the total number of such retired certificated teachers does not exceed the greater of ten percent of the total teacher staff for that school district, or five certificated teachers. Further, any school district with a shortage of non-certificated employees may allow those retired individuals to be employed full-time for up to two years without losing his or her retirement benefits. The total number of such retired non-certificated employees shall not exceed the greater of ten percent of the total non-certificated staff for that school district, or five employees. All necessary costs shall be paid by the hiring school district and shall not exceed the school district's statutory cost limitations. If enacted, this section shall take effect upon its passage and approval.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

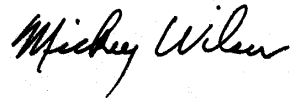
Department of Higher Education
Central Missouri State University
Office of Administration
 General Services
 Commissioner's Office
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Elementary and Secondary Education
Department of Public Safety
 Missouri State Highway Patrol
Office of the Governor
Harris-Stowe State College
Joint Committee on Public Employee Retirement
House of Representatives
Public School Retirement System
Non-Teacher School Employee Retirement System of Missouri
Missouri Senate
Office of Secretary of State
 Administrative Rules
University of Missouri System
Office of State Treasurer

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Public School Retirement System of the City of St Louis

NOT RESPONDING

**Southeast Missouri State University
Kansas City Public School Retirement System**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 21, 2003